

# TURKEY SHOULD EMBRACE BUSINESS DIPLOMACY

*The international business community has long praised Turkey as an economic powerhouse, however a certain je ne sais quoi keeps it from fully entering the club of emerging nations with high growth potentials in the coming years. Yet, while multinational Turkish companies show great confidence within their comfort zone they tend to adopt a lower profile in more established marketplaces in, for example, Europe and the US. Why does the Turkish example –where business fundamentals are sound and economic resilience a reality– receive only cursory attention in the countless reports analyzing swift recovering in the developing world? This article argues that it is due to a lack of business diplomacy and economic reputation.*

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In the course of nearly a decade of political stability, a core group of Turkey's strong performing companies have managed to position themselves successfully in mostly regional markets through the export of a range of modern industries and services: construction, textiles and white goods, electronics and automotive, entertainment and food. Turkish business leaders will often remind you that the country's repeated economic crises have had the effect of strengthening their companies, especially the banks which have few toxic assets and limited mortgage exposure.

However, the argument from main street goes a little more like this: you need to be good, or at least innovative when you have no clear idea what the political regime, inflation level, or legislation will be tomorrow. In other words, an air of total uncertainty hangs over the marketplace. Following from such unpredictability is a short-term perspective that has pushed businesses to adopt a "hit and run" mentality for many years. However, in a country where family-based entrepreneurship is a most remarkable mechanism of commerce, the corporate captains have begun to shift their vision towards an increasingly long-term approach to business. Concepts like "sustainability" and "corporate governance" have now become *de rigueur* in board meeting discussions for future strategy planning.

As Turkey's cities mobilize their resources in order to formulate strategies for alleviating the negative impact of the crisis, they are simultaneously transforming themselves into key sites for generating new, post-crisis opportunities. In this regard, some Anatolian cities constitute vibrant examples of how this is being achieved and sustained. Together with the long established holdings, the so-called "Anatolian Tigers" have proven to be one of Turkey's main economic platforms since the 1980s, boosting growth figures linked to strong and performing export markets.

The European Stability Initiative<sup>1</sup> report concluded in 2005: "Anatolia's successful industrialization was rooted in lifestyles that...are conservative and religious, there is a passion for rapid growth and modernization" and "[e]conomic success has created a social milieu in which Islam and modernity coexist comfortably. It is the Anatolia shaped by these values that is now pressing its case to join the European Union." The Tigers have progressively mastered manufacturing,

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<sup>1</sup> "Islamic Calvinists: Change and Conservatism in Central Anatolia," *European Stability Initiative* 2005, [http://www.esiweb.org/pdf/esi\\_document\\_id\\_69.pdf](http://www.esiweb.org/pdf/esi_document_id_69.pdf)

quality control, sales and negotiation skills, alongside their international counterparts. However, there is a missing chapter to this trade story: sound business diplomacy, backing up their expansion in existing markets and their penetration into new ones. Emerging companies need to increase clarity and improve transparency to adapt to international standards of governance, and the current global crisis is supporting this trend. The emphasis here is on clarity because it refers to improving the flow of information towards the market, not increasing it. In the e-transparency era, it is important for institutions to find the right communication balance.

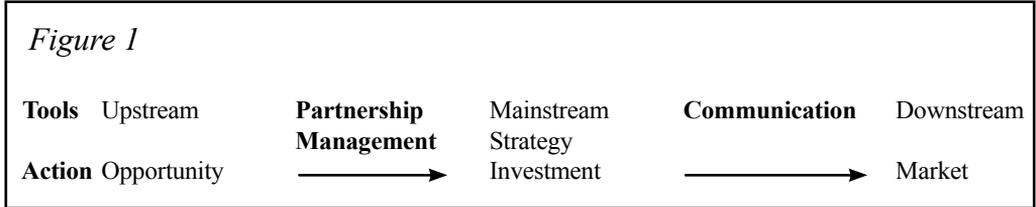
Effective communication targets perception. In today's global environment, how a company or industry is perceived is of paramount importance. This is especially true for regional players, like those in Turkey, looking to expand their ventures in foreign markets. In terms of forging partnerships or increasing visibility, the face of an entity must be approachable. To achieve this successfully requires a mindset that embraces global standards, works hard to gain a quality reputation, invests in research and development, creates globally admired brands, and improves overall governance.

The online or digital platform offers an intelligent and effective way to give a convincing answer to most of these challenges. Unfortunately, we witness frequent cases of multi-million dollar turnover companies welcoming Internet visitors with poorly functioning websites that either do not have an English language version, or have an inadequate one. Moreover, these websites offer viewers very little information about who runs the company or what its future objectives are.

In 2010, any businessman's first reflex is to visit a company's official website, which should transmit a general feeling of reassurance and trust. You can tell a lot when surfing a corporate e-window display: a 1980s logo, html coding, and confusing or outdated information can turn away numerous potential investors, clients, and partners. In today's digital world of instantaneous access, not much is hidden from the public eye. Business diplomacy is also about pressing for clarity as a subtle substitute for transparency and ensuring that design embraces professionalism.

APCO, one of the leading strategic communication firms in the world, defines business diplomacy as "the art of thinking strategically about cross-cultural business ventures and dealing adaptively with stakeholders who have different views

of the world.” Business diplomacy, fundamentally a toolbox, can be looked at from either an upstream or a downstream angle to investment. From an upstream perspective, this toolbox will help you identify and manage your cross-border venture partners, because today no one grows alone internationally. From a downstream perspective, business diplomacy will efficiently outline a strategy to communicate the investment to the market. (see Figure 1)



Successful Partnership management is crucial for developing engagement projects with a “local Partner”. These partnerships can be a catalyst for innovation, ideas, resources and funding opportunities. International companies often fail to assess the importance of perception, image and communication in parts of the world where the cultural landscape and historical context are far different from their own.

After all, success starts with identifying opportunities, and efficient partnership management will allow an exchange of information and facilitate the negotiation process, bringing a constant much-needed push to the project. This is particularly true when you are looking to sustain activity over an extended period of time with other organizations.

Some lessons can be drawn from Chinese and Indian business venture in Africa, where they initially experienced major cultural challenges. The difference among national customs, taste and other traditions has sometimes jeopardized multi-million contracts. Companies should blend into the market using a sound communication strategy to avoid these pitfalls when penetrating a foreign market.

Turkish entrepreneurs show willingness and enthusiasm to increase their alliances with alternative markets, such as the Middle East and Africa. Those regions were relatively spared by the crisis due to their less integrated position in world markets. We shall soon see whether Turks have learned the Chinese lesson. In the 2009 year closing issue of *The Economist*, the Schumpeter section sums it

up: “Business is a remarkable exercise of co-operation, as it involves getting lots of strangers to trust each other and increasingly stretching that trust across borders.”

Yet, while multinational Turkish companies show great confidence within their comfort zone (the Turkic Republics of Central Asia), they tend to adopt a lower profile when stepping into more established marketplaces outside their immediate region. You would have trouble finding a European who knows that a single Turkish company manufactures 25 percent of all TV sets sold in the EU. And average Belgians or Americans would unlikely know that Yıldız Holding’s Ülker acquired their favorite Godiva praline in 2007, after 33 years under the management of Campbell Soup Company. These are few examples of the inability thus far of Turkish companies to capitalize on performing brands, i.e. make themselves visible, viable, approachable, sophisticated and ready to do business. Why have Turkish firms not raised their profile? Will they do so in the future? And how? Part of the answer, I believe, lies in the effective use of Business Diplomacy.

This discretion or shyness has often been attributed to Turkey’s controversial position on sensitive issues such as conservative Islam, the Kurdish, Cypriot, or Armenian questions, immigration, and fragile domestic political equilibriums. Katinka Barysch, a deputy director at the Centre for European Reforms, argues in her essay<sup>2</sup> that “such an image issue is made up of various ingredients including politics, tourism, culture and business. In Turkey’s case there are positive aspects (most of the 20 million tourists who visit Turkey every year come back happy), negative ones (High profile political events that confirm people’s prejudices, such as court orders against journalists and threats of army intervention) and neglected ones (the image of ‘made in Turkey’ does not reflect the country’s many world-class businesses).”

Pozitron, a leading Turkish mobile software developer, which plans to expand its business abroad, recently told the *Hürriyet Daily News*:<sup>3</sup> “Currently we are still in talks with other companies. But there is a general prejudice that western foreigners do not want to buy technology from Turkey. This makes our job harder.

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<sup>2</sup> Katinka Barysch, “What Europeans think about Turkey and why,” Centre for European Reform, September 2007, This essay is partly based on the CER seminar on ‘Europe’s public opinion on Turkish EU accession’ in Brussels on 19 June 2007.

<sup>3</sup> “Turkish software firm eradicates prejudices,” *Hürriyet Daily News*, 7 October 2009.

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That's why instead of focusing on Europe, we prefer to expand in Central Asian and Middle Eastern countries, such as Kazakhstan and Tajikistan."

There is an obvious lack of a coherent national communication strategy that would identify focal points and help solve this branding issue. While Bahrain is more "business friendly" than ever, Malaysia remains "truly Asia", Egypt is still "open for business" and Greece has become "a masterpiece you can afford", the Investment Support Promotion Agency of Turkey (ISPAT) makes reference to the 2007 FDI figures (19.1 billion dollars) when hammering conference audiences with the emphatic promotional slogan "Turkey loves Turkey".

Turkey's Treasury Under-Secretariat released its Direct International Investment Information Bulletin for December 2009 and the net direct international investment inflow to Turkey fell 58.4 percent to 7.5 billion dollars in 2009 (when compared to the figures in 2008). ISPAT is not the only public body to blame, but it bears the responsibility of sticking to a strategy that focused on attracting Greenfield Investment to boost up FDI figures.

It is a laudable approach in times of growth, but entirely insufficient in belt-tightening times of restricted investment liquidity. For example, the authorities could have promoted the opportunities of partnership with profitable Turkish companies, considering the amount of successful case studies.

On the outbound side, TURQUALITY is an engaging initiative that aims at creating ten Global brands in ten years, but again tailored to professionals, hence isolated from the larger audience perspective. The macro approach should bring leading actors of Turkish business diplomacy around the table for a common goal: use Turkey's domestic pride to build up an international economic reputation.

The good news is that Turkey has momentum. Youngsters find Turkey "cool", and Istanbul is becoming a place to be, a new El Dorado for a young and dynamic EU population bored of the institutionalism, bureaucracy and ongoing debates of their parents' generation. The reputation of Istanbul's culture scene has been steadily growing in recent years. That reputation will be burnished even more this year, with Istanbul taking its place as a European Capital of Culture for 2010.

In addition, there is an increasingly accepted approach to EU accession which advocates the importance of “the journey rather than the destination.” This new atmosphere has relaxed all sides of the equation. On the diplomatic level, applying Ahmet Davutoğlu’s “zero-problem with neighbors” policy, Turkey aims at reaching maximum cooperation and collaboration within the region. It is time for the Turkish business community to embrace that perspective and capitalize on the economic rebound to position the country intelligently and confidently in the minds of consumers.

Seen by many as the missing “T” to BRIC, Turkey must now prove that not only should foreign investors come, but also that there should be more Turkish companies investing abroad. In short, Turkish firms should proudly brand their “Turkishness”.

Business diplomacy is an indispensable instrument to negotiate through the complexity of global commercial relationships so as to ensure the successful implementation of cross-border business ventures. What better period than a slow one to reassess a company’s strategy to expand abroad? We now know the key to tomorrow’s business success is the ability to improve the flow of information and communication towards the market. Turkey and Turkish companies individually could use a fresh approach to image and perception in order to forge a well-deserved economic reputation.